

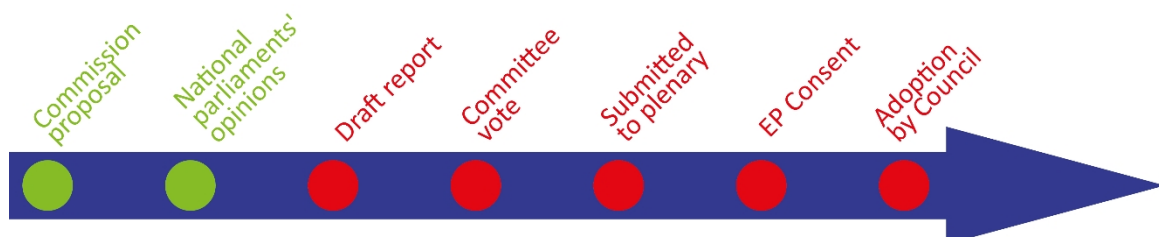
2014-2020 Multiannual Financial Framework (MFF): Mid-term revision

OVERVIEW

The Multiannual Financial Framework (MFF) sets the maximum level of resources ('ceiling') for each major category of EU spending for the years 2014-2020. Based on the compulsory mid-term review of the MFF, the European Commission proposes to modify the flexibility provisions and special instruments of the MFF Regulation. The aim is to increase the capacity of the EU budget to address unforeseen events and new priorities, against a backdrop of persistent challenges inside and outside the EU. The proposal is part of a broader package that seeks to allocate an extra €6.33 billion to job creation, growth, migration and security challenges, without modifying the MFF ceilings. The Parliament has long pushed for MFF revision. The Council reached broad consensus on a compromise on 15 November, but one Member State was unable to lift its reservation on the text at that point.

Proposal for a Council Regulation amending Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020

<i>Committee responsible:</i>	Budget (BUDG)	COM(2016) 604
<i>Co-rapporteurs:</i>	Jan Olbrycht (EPP, Poland) Isabelle Thomas (S&D, France)	14.9.2016 2016/0283 (APP)
<i>Shadow rapporteurs:</i>	Richard Ashworth (ECR, UK) Gérard Deprez (ALDE, Belgium) Liadh Ní Riada (GUE/NGL, Ireland) Younous Omarjee (GUE/NGL, France) Ernest Maragall (Greens/EFA, Spain) Marco Zanni (EFDD, Italy)	Special legislative procedure (APP) (Consent – Unanimity in the Council. The Parliament has the power to accept or reject the Council's position on the proposal)
<i>Next steps expected:</i>	Formal request for European Parliament's consent from Council	



Introduction

The Multiannual Financial Framework (MFF) establishes the maximum level ('ceiling') of resources (commitment appropriations) for each major category ('heading') of EU spending for a period of at least five years. In addition, the MFF sets the overall ceiling for payments. The main objective of the MFF is to ensure the orderly development of expenditure in line with EU priorities and within the limits of the EU's own resources. Laid down in [Council Regulation \(EU, Euratom\) No 1311/2013](#) of 2 December 2013 (MFF Regulation), the current MFF covers the years 2014-2020. Based on Article 2 of the Regulation ('Mid-term review/revision of the MFF'), by the end of 2016 the European Commission must present a compulsory review of the functioning of the current MFF, accompanied, as appropriate, with a legislative proposal for the revision of Regulation 'No 1311/2013. The mid-term review/revision is to take into account the current economic situation and the latest macroeconomic projections. It is not possible to reduce pre-allocated national envelopes by means of the mid-term revision, without prejudice to the adjustment of cohesion policy envelopes set in Article 7 of the Regulation.

Existing situation

The 2014-2020 MFF is endowed with total resources of €959.9 billion for commitments and €908.4 billion for payments (in 2011 prices). [Negotiated](#) between 2011 and 2013 against the backdrop of the economic crisis and fiscal consolidation in Member States, the current MFF is the first to have lower resources in comparison with the previous programming period (2007-2013). In constant prices, the total ceiling for commitments and payments respectively decreased by €34.2 billion (-3.4 %) and by €34.4 billion (-3.7 %). Along similar lines, the share of the European Union's gross national income (GNI) devoted to the EU budget was set at 1 % for commitments and 0.95 % for payments (down from 1.12 % and 1.06 % for 2007-2013).

Some 47 % of the commitments are earmarked for heading 1 'smart and inclusive growth' (i.e. 13.1 % for subheading 1a 'competitiveness for growth and jobs' and 33.9 % for subheading 1b 'economic, social and territorial cohesion'), while heading 2 'sustainable growth: natural resources' gets 38.8 % of the total. The other three main headings have lower shares: 1.6 % for heading 3 'security and citizenship', 6.1 % for heading 4 'global Europe', and 6.4 % for heading 5 'administration'.

In its first years of functioning, the 2014-2020 MFF was confronted with a number of challenges: constant pressure on the 'security and citizenship' and 'global Europe' headings in the context of growing instability in the EU's neighbourhood, the migration crisis and security threats; a significant remaining investment gap in the EU many years after the outbreak of the financial and economic crisis; a high abnormal [payments backlog](#), afflicting the EU budget at the end of both 2014 and 2015; and the knock-on effect of the late adoption of the MFF (December 2013) which delayed the start of its 2014-2020 implementing programmes.

The measures taken by EU institutions to try and address these challenges include: resorting to (and, by and large, exhausting) the relevant [flexibility tools](#) available in the first years of the MFF; the establishment of budgetary tools at least partially outside the EU budget that combine financing from the EU budget itself and from other sources (e.g. the [European Fund for Strategic Investments](#) or EFSI; [EU Trust Funds for external action](#); and the Facility for Refugees in Turkey); and a revision of the MFF to [transfer](#) unused 2014

funding allocations under shared management (the bulk of the amount related to cohesion policy spending) to 2015 and beyond.

Parliament's starting position

The European Parliament (EP) was critical of the agreement on the 2014-2020 MFF reached by the European Council in February 2013 from very early on, calling for a series of changes in a [March 2013 resolution](#). The conditions set by the EP to give its consent to the MFF Regulation included the revision of the MFF at a later stage (to enable the current Parliament and Commission to have their say on the budgets under which they have to work),¹ and increased flexibility provisions to encourage full use of available funds. Following intensive negotiations, the political agreement reached by the EP and the Council of the European Union included: a compulsory review of the MFF by 2016, in which the Commission would propose revision; more flexibility for payments and commitments; and a number of other points such as the setting-up of an interinstitutional high-level group tasked with a review of the financing system of the EU. Before giving its [consent](#) to the MFF Regulation in November 2013, the EP [endorsed](#) the agreement with the Council, on the conditions noted above, but expressed concern that the overall ceilings set by the European Council might not provide the EU with sufficient means to achieve its objectives.

In the run-up to the mid-term review/revision of the MFF, in July 2016 the current EP adopted a [resolution](#) to provide its input to the process ahead of the compulsory review of the MFF by the European Commission. Assessing the functioning of the 2014-2020 MFF in its first years, the EP drew attention to the budgetary implications of a number of serious crises and new political initiatives that were not anticipated in 2013, such as: the migration and refugee crisis; the persistently low level of investment and high rate of youth unemployment; internal security threats; crises in the agricultural sector; environmental challenges; the 2015 international agreement on climate change; and the growing pressure on development and neighbourhood policies. The EP concluded that this complex mix of challenges created additional pressing needs and pushed the framework to its limits in 2014 and 2015, with expenditure ceilings proving to be too low for several headings, and an unprecedented use of flexibility provisions. On this basis, the EP deemed a genuine revision of the 2014-2020 MFF to be absolutely necessary. In particular, Parliament's requests included:

- **The provision of additional resources in key areas of concern.** The EP recommends increasing the commitments ceilings of **subheading 1a 'competitiveness for growth and jobs'** (to fully offset the cuts to the **Horizon 2020** programme for research and the **Connecting Europe Facility**, which provided the resources for setting up EFSI), **subheading 1b 'economic, social and territorial cohesion'** (to make means available for the continuation of the **Youth Employment Initiative** until 2020), **heading 3 'security and citizenship'** (to tackle increased needs related to the **migration and refugee crisis** on the one hand and reinforced EU action in the field of **internal security** on the other), and **heading 4 'global Europe'** (to deal with the **external dimension of migration**, by addressing its humanitarian and economic causes, notably in the European Neighbourhood and in sub-Saharan Africa). The EP considers that the payments ceiling should also be increased accordingly.
- **The strengthening of flexibility provisions and special instruments.** The EP is of the opinion that a number of constraints imposed by the Council on flexibility provisions should be lifted, with a view to promoting full use of available MFF resources. For

example, relevant measures would remove limitations such as: the capping of the **global margin for payments** for the years 2018-2020; the possibility to use the **global margin for commitments** in some policy areas only; and offsetting resources mobilised through the **contingency margin** during the final years of the MFF. This should be coupled with strengthened resources for special instruments such as the **Flexibility Instrument** and the **Emergency Aid Reserve** to increase the capacity of the EU budget to address unforeseen events.

- **Measures to avoid a repeat of high year-end payments backlogs towards the end of the current MFF.** In addition to reinforced flexibility provisions (see above), the EP called for other measures, such as the establishment of a joint payment plan for the years 2016-2020, and for rules to retain extraordinary revenue (surplus deriving from under-implementation of programmes and fines related to EU competition law) within the EU budget.
- **The assessment and simplification of the implementation environment.** The EP deems that identified weaknesses should be addressed by streamlining relevant rules, with a view to **reducing the administrative burden** for beneficiaries. Also relevant to the implementation environment are the further development of **the EU budget focused on results** initiative, and a thorough assessment of the role of **financial instruments** as an alternative and complementary means of funding alongside traditional grants.
- **The evaluation of financial needs for climate-related measures.** The EP asks that the Commission reach the target of devoting 20 % of the EU budget to climate-related measures, and to estimate the financial impact on the EU budget of possible measures related to the implementation of the Paris agreement on climate change.

In addition, the EP expressed its view on key points for consideration for the post-2020 MFF, for which the European Commission is due to table a proposal before 1 January 2018. These include the duration of the next framework, the reform of the EU's financing system, the budgetary principle of unity to ensure democratic accountability, the inclusion of enhanced provisions to allow the EU to react swiftly to changing circumstances, and a simplified decision-making procedure in the Council (moving from unanimity to qualified majority).

Council starting position

During the first half of 2016, the Dutch Presidency of the Council organised [informal discussions](#) on the future of the MFF. The general view was that reforming the MFF was necessary and challenging at the same time, since the framework should strike the right balance between investment stability and flexibility provisions to respond to new challenges in an ever-changing world. Most Member States were of the opinion that increased flexibility should be achieved within the current MFF ceilings. The Dutch Presidency report of May 2016 concluded that the first concrete steps towards increased flexibility in the 2014-2020 MFF are likely to take place through the revision of the EU's Financial Regulation, for which the European Commission has since tabled a proposal (September 2016). According to [Commission Vice-President Kristalina Georgieva](#), in the run-up to the mid-term review/revision of the MFF there was little enthusiasm in the Council for a revision of the MFF and many national delegations preferred an exercise limited to a review of the 2014-2020 framework.

Preparation of the proposal

On 14 September 2016, the European Commission presented its mid-term review of the MFF in a communication [COM\(2016\) 603](#) and an accompanying staff working document [SWD\(2016\) 299](#). According to the documents, the MFF ensures medium-term predictability for investments, but also needs to respond swiftly to, and deliver on, new challenges. The Commission deems this swift adaptation to have occurred, both for the establishment of EFSI and the rapid provision of resources in the fields of migration, refugees and security. Additional resources were mobilised within the budget through the **flexibility provisions** of the MFF, and outside the budget by means of contributions from Member States and others (e.g. the European Investment Bank and other investors in EFSI). However, the Commission considers that the flexibility available under the current MFF is now almost exhausted, while challenges such as migration and security have long-term implications and require a strengthened budget capacity.

Looking more in detail at the functioning of the MFF to date, the Commission notes that the high level of **year-end payments backlog** that afflicted the EU budget in recent years and required the use of the contingency margin in 2014 is expected to be eliminated by the end of 2016. However, this positive development is also due to the slow start in the implementation of operational programmes under the new European Structural and Investment (ESI) funds, which makes it possible that pressure will again build on payments at the end of the current MFF. The staff working document includes a forecast of payments needs until the end of the framework.

In addition, the Commission identifies key patterns and challenges emerging during the first years of implementation of the current MFF. As regards **subheading 1b**, the above-mentioned delays in the implementation of **ESI funds** under shared management (Member States and Commission) was determined by a mix of drivers: the late adoption of the legal acts; the introduction of ex-ante conditionalities; less stringent rules for decommitments; and the requirement to put a performance framework in place linked to a performance reserve. The Commission has urged Member States to speed up the implementation of ESI funds. In June 2016, there was an **overall increase of €4.6 billion (in current prices) of Member States' financial envelopes** under ESI funds, following the [technical adjustment](#) provided for in the MFF Regulation to take into account the latest trends in gross national income.² The Commission would like relevant Member States to focus additional allocations on measures related to youth unemployment, the promotion of investments through financial instruments, and the migration crisis, and has started discussions to this end. With regard to the **Youth Employment Initiative (YEI)**, the scheme has also experienced initial delays, but appears to have delivered positive results once in place, according to [initial evaluations](#). All YEI allocations were frontloaded to 2014 and 2015, reaching more than 1.3 million unemployed young people living in regions with youth unemployment rates higher than 25 %.

As far as **subheading 1a** is concerned, the take-up of programmes directly managed by the Commission in the fields of **competitiveness, education and training** was swift and strong, contrary to the delays experienced in subheading 1b. According to the European Commission, **Horizon 2020, Connecting Europe Facility, COSME and Erasmus+** received high numbers of eligible submissions, which significantly exceeded the available financial resources for these programmes. Along similar lines, the Commission assesses the initial phase of **EFSI**, which complements the MFF programmes aiming to create jobs and promote growth, positively. One year after its establishment by the EP and Council, EFSI

was expected already to have mobilised €115.7 billion in additional investments across the EU (the objective is €315 billion over three years). The leverage effect is reported as significant, since 85 % of these investments come from other public and private investors.

Implementation started slowly for **heading 2 ‘sustainable growth: natural resources’**, due to delays experienced by the **European Agricultural Fund for Rural Development** and the **new direct payment schemes**. The Commission financed **market-support measures** of €1.66 billion, by redeploying resources and using assigned revenue. These measures aimed to respond to the **Russian ban on EU agricultural products** and to **crises and imbalances in specific agricultural sectors** (fruit and vegetables, dairy and livestock).

Headings 3 and 4 have experienced significant pressure, on the one hand due to the **migration and refugee crisis**, which has both internal and external dimensions, and on the other in relation to **security challenges**. To address the issue of very tight ceilings for these two headings, measures undertaken include: use of special instruments (the Flexibility Instrument and Emergency Aid Reserve), to increase the resources for relevant spending programmes (e.g. the [Asylum, Migration and Integration Fund](#)); and setting up instruments, such as [EU Trust Funds](#) and the Facility for Refugees in Turkey, to combine resources from the EU budget and/or the European Development Fund (EDF) with other contributions. In addition, the European Commission notes the budgetary implications of new initiatives already approved or proposed, such as the establishment of the European Border and Coast Guard, the reinforcement of Europol and of the European Asylum Support Office, the creation of the [Instrument for Emergency Support within the EU](#) and the European Fund for Sustainable Development (EFSD).

Finally, the Commission looks at possible developments for the **post-2020 period**, noting that there is a growing consensus on the need for coherent reform of both the expenditure and revenue sides of the budget. Highlighted aspects include the duration of the framework; 'budgetisation' of the European Development Fund (EDF);³ the right balance between flexibility and predictability; and simplification of programmes under shared management (Member States and Commission), such as ESI funds.

The changes the proposal would bring

On the basis of the mid-term review, the European Commission has proposed a **mid-term revision** of the MFF. The legislative proposal to amend the MFF Regulation is **part of a package of proposals** that have been tabled in parallel ('mid-term review/revision package', see Table 1 below). While the package does not modify the ceilings enshrined in the 2014-2020 MFF, among other objectives it aims at strengthening resources in areas considered of key concern, for example by making unallocated MFF margins available for identified priorities.

The **legislative proposal proper** to amend the MFF Regulation focuses on **special instruments**, with a view to reinforcing them, removing some limitations that currently apply to the flexibility provisions of the MFF and **increasing the budget's capacity to react swiftly to unexpected challenges**. Envisaged measures appear to be in line with demands for increased MFF flexibility set out by the EP in its resolution of July 2016 (see 'Parliament's starting position' above). In particular, the Commission proposes to:

- **Remove the cap on the global margin for payments for the years 2018-2020.** The global margin for payments allows transfer of the unused portion of the payment ceiling in a given year to the payment ceiling of subsequent years of the MFF. However, Article 5(2) of the MFF Regulation currently limits the possible increase of

the payment ceiling to €7 billion in 2018, €9 billion in 2019 and €10 billion in 2020. The removal of such limitations is meant to address possible pressure on payments in the final years of the MFF (e.g. due to the ESI funds' slow start, see above) and **avoid a repeat of abnormal year-end payments backlogs** at these points in time, while maintaining total payment allocations unchanged for the 2014-2020 period.

- **Increase the resources of two special instruments.** The annual amounts available for the **Flexibility Instrument** and the **Emergency Aid Reserve**, which are expressed in 2011 prices, would be set respectively at €1 billion (from €471 million) and €500 million (from €280 million). The aim is to reinforce tools that made a positive contribution to addressing unexpected crises and their humanitarian and security implications, in a context of tight ceilings for certain spending areas and persistent challenges in the EU's neighbourhood.
- **Create a new special instrument.** A **European Union Crisis Reserve** would be set up and endowed annually with an amount equivalent to that of the unused appropriations that were decommitted two years previously.⁴ This reserve would increase the capacity of the EU budget to **respond to possible crises** and events with humanitarian and security impact, by promoting full use of current MFF resources.
- **Remove the scope limitation of the global margin for commitments.** Through this tool, MFF margins for commitments available and not used in the years 2014-2017 may be mobilised by the EP and the Council in the 2016-2020 period for objectives related to growth and employment. The elimination of the scope limitation would allow part of these resources also to be used for other policy challenges, should such a need arise.

The proposal concerning the revision of the MFF Regulation proper is to be considered in the broader framework of the **MFF review package**, which contains **other related legislative and budgetary proposals**.⁵ Table 1 provides an overview of the main proposals of the package, classifying them into five groups on the basis of their core objectives.

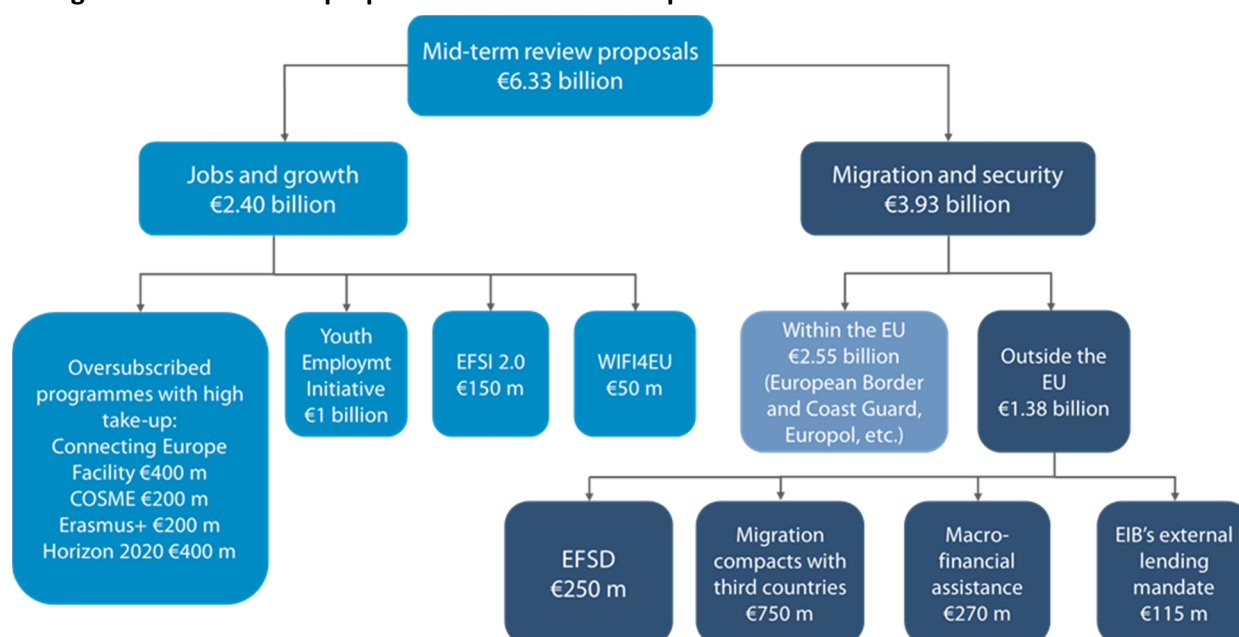
Table 1 – MFF review package – core objectives of the main proposals

Core objective	Examples of related proposals and procedure file(s)
Increasing the capacity of the EU budget to react to unforeseen challenges	- Revision of the MFF Regulation – (2016/0283 (APP))
Avoiding pressure on payment ceilings during the final years of the 2014-2020 MFF	- Revision of the MFF Regulation – (2016/0283 (APP)) - Contingency margin mobilised in 2014: bringing its offsetting forward from 2018-2020 to 2017 (2016/2233(BUD))
Increasing EU tools and/or means addressed to job creation and growth	- Revision of the EFSI Regulation to extend the duration of EFSI until 2020 and increase its means (2016/0276(COD)) - Creation of a Wifi4EU initiative to promote the availability of internet connectivity in local communities (2016/0287(COD))
Increasing EU tools and/or means addressed to migration and security challenges	As part of the Commission's external investment plan of June 2016: - Setting-up a European Fund for Sustainable Development (2016/0281(COD)) - Extension of the European Investment Bank's mandate for its investment activities outside the EU (2016/0275(COD)) and revision of the Guarantee Fund for external actions (2016/0274(COD))
Simplifying implementing rules of EU funds and increasing their impact	- Revision of the EU's Financial Regulation and of related basic acts in specific spending areas such as agriculture , cohesion, Connecting Europe Facility and space (2016/0282(COD))

Source: EPRS, based on European Commission mid-term review communication and proposals, and EP Legislative Observatory data.

Amounting to around **€6.3 billion** (in current prices),⁶ the **total financial resources related to the MFF mid-term review proposals** are linked not only to the new legislative proposals listed above, but also to proposals to reinforce existing tools (e.g. additional allocations for highly subscribed programmes under subheading 1a, such as Erasmus+, Horizon 2020 and the Connecting Europe Facility, and new resources to allow for the continuation of the Youth Employment Initiative under subheading 1b) and to the financial implications of initiatives already in the pipeline (e.g. the establishment of the European Border and Coast Guard and the strengthening of Europol). The above-mentioned amount is distributed between two broad groups of policy objectives: **€2.40 billion for job creation and growth** (subheadings 1a and 1b) and **€3.93 billion for migration and security** (headings 3 and 4).

Figure 1 – MFF review proposals – Financial envelopes



Data source: European Commission, Mid-term review communication.

In addition, the Commission underlines the extra €1.8 billion of spending for migration included in the draft 2017 EU budget and the additional €4.6 billion, which stems from the automatic technical adjustment of financial envelopes under ESI funds (see 'preparation of the proposal' above), and is proposed to be devoted to youth employment, integration of refugees and promotion of investments. On this basis, the Commission quantifies the total financial envelope relevant to the mid-term review package at €12.8 billion. Except for the compulsory technical adjustment of the financial envelopes of ESI funds,⁷ these measures do not modify the MFF ceilings for 2014-2020, given that it is proposed they are financed by margins of the MFF which are still unallocated and/or by the mobilisation of special instruments. The **proposed revision of the MFF Regulation** includes measures such as reinforcement of special instruments to counter the reduction of resources available for unexpected events that this financing would trigger, and to increase the possibility to allocate such resources more flexibly to the policy areas when, and where, needs arise.

Advisory committees

In June 2016, the **Committee of the Regions (CoR)** adopted opinion [9/2016](#) on the MFF revision, ahead of the presentation of the Commission proposal. Among other points, the CoR called for the mid-term review to result in a full revision with additional funding

allocated to measures promoting structural growth (e.g. Youth Employment Initiative and the European Fund for Strategic Investment). In a fast-track resolution ([2016/05222](#)) adopted on 12 October 2016, the CoR criticised the tabled mid-term review as lacking ambition and giving a wrong impression of the implementation of ESI funds; welcomed some of the Commission proposals (e.g. additional allocations for Horizon 2020, the Connecting Europe Facility and the Youth Employment Initiative); and considered that increased flexibility would not solve the issue of insufficient resources in the MFF to address the migration and refugee crises. The **European Economic and Social Committee** (EESC) is preparing the adoption of an opinion on the mid-term review ([ECO/417](#)). In 2012, both the [EESC](#) and the [CoR](#) expressed their opinions on the initial Commission proposal for the current MFF in the context of an optional consultation.

National parliaments

The Commission has transmitted the proposal for the revision of the 2014-2020 MFF to national parliaments. A number of parliamentary chambers have [considered](#) the proposal.

Stakeholders' views

This section aims to provide a flavour of the debate and is not intended to be an exhaustive account of all different views on the proposal. Additional information can be found in related publications listed under 'EP supporting analysis'.

In a [briefing paper](#) from 28 October 2016, the **European Court of Auditors** (ECA) says the mid-term review package will contribute to allocating more resources to identified priorities, increasing the flexibility of the budget and simplifying implementing rules. However, the ECA adds that the mid-term review presented by the Commission is not a comprehensive review of EU spending, which it says should be carried out before proposals for the next MFF are put forward. Other criticisms include the risk that some proposals could add new layers of complexity to the EU budgetary system (e.g. those on increased flexibility, and those encouraging financial contributions from other sources). The ECA also draws attention to the growing role of financial instruments, trust funds and investment funds guaranteed by the EU budget, which in the ECA's view requires an enhancement of risk management of, and reporting on, potential liabilities for the EU originating from these activities. On this basis, the ECA puts forward a series of proposals for the next programming period: possible changes in the timetable for preparation of the next MFF; the launch of a comprehensive spending review and of a high-level debate on future priorities for the EU budget; and the streamlining of the EU's financing system.

According to a paper published by the **CEPS think-tank**, the mid-term review/revision put forward by the Commission takes the right direction in proposing measures to improve the functioning of the EU budget and its capacity to respond to new priorities and unforeseen events.⁸ The proposal does not entail a major reform of the EU budget, which the author does not consider desirable in the middle of a programming period. However, deeming that the EU budget in its current form is not suited to tackling unprecedented challenges, the author calls for its comprehensive reform for the post-2020 period, highlighting a number of areas and aspects deserving particular attention. These include a thorough review of the measures currently funded by the EU budget; an increased focus on EU-wide objectives and on complementarity with national budgets; the distinction between projects requiring financial instruments and those requiring grants; and modifications to the own resources system that finances the EU.

Legislative process

The special legislative procedure set out in Article 312 of the [Treaty on the Functioning of the European Union](#) requires both unanimity in the Council and the consent of the EP (to be given by a majority of its component members). In October 2016, the [Slovak Presidency of the Council](#) argued that the review of the MFF and the negotiations for the 2017 EU budget are two separate exercises and should be tackled as such. The Council deals with the files under two different configurations: Economic and Financial Affairs (ECOFIN) for the annual budget, and General Affairs for the MFF. One week later, in a [resolution](#), the EP objected that the MFF revision and the 2017 EU budget are closely linked, since elements of the 2017 budget depend on the revision; and regretted that the Council was not yet ready to open negotiations on the MFF revision. In addition, Parliament confirmed that its mandate for the MFF revision was the resolution of 6 July 2016 (see 'Parliament's initial position' above), welcomed the changes to the framework envisaged by the Commission in its September 2016 proposal, and called for the Council to start negotiations without delay.

On 15 November 2016, the Slovak Presidency announced that there was broad agreement on its compromise text (with the United Kingdom abstaining). However, Italy maintained a reservation on the agreement and needed more time to join the consensus. While the compromise text (13545/16 rev 4 of 14 November 2016) is not yet publicly available, Commission Vice-President Georgieva defined it as valuable and viable, and provided an overview of its main features during the [public session](#) of the Council. In particular, elements related to the **flexibility provisions and special instruments of the MFF Regulation** show some changes from the Commission proposals, and include: 1) reinforcement of the Flexibility Instrument and the Emergency Aid Reserve; 2) the possibility to take up unused European Union Solidarity Fund and European Globalisation Adjustment Fund resources that would otherwise be lost; 3) extension in the scope of the global margin for commitments; and 4) a total increase of €5 billion in the maximum level of the global margin for payments for 2019 and 2020. In addition, an agreement was reached on the **proposal concerning the mobilisation of the Contingency Margin in 2014**, which is aimed at reducing possible pressure on payments during the final years of the current MFF. As regards the reinforcement of resources for **job creation and growth objectives**, the broad agreement includes additional amounts for the Youth Employment Initiative (+€1.2 billion), the transport component of the Connecting Europe Facility (+€0.3 billion), Horizon 2020 (+€0.2 billion), Erasmus+ and COSME (+€0.1 billion each). However, the Council wishes to see these top-ups financed by means of redeployment from other budgetary lines. The broad agreement would also include €3.9 billion in the fields of **migration and security**. According to press sources,⁹ Italian Under-Secretary for European Affairs, Sandro Gozi, declared that Italy would have been ready to approve the proposals as tabled by the Commission. He criticised the compromise text, saying that it was not in line with EU ambitions and priorities, and failed to provide an appropriate level of resources in the areas of youth unemployment, research, migration and security.

EP supporting analysis

- EPRS Briefing on [2014-2020 Multiannual Financial Framework \(MFF\)](#)
- EPRS Briefing on [Revision of the Multiannual Financial Framework \(Article 19, MFF Regulation\): Transfer of unused allocations for 2014](#)
- EPRS Briefing on [Mid-term review/revision of the MFF: Key issues at the outset of the debate](#)
- EPRS At a glance note on [Mid-term review/revision of the 2014-2020 Multiannual Financial Framework](#)
- PolDep Briefing on [Mid-term review/revision of the MFF 2014-2020: State of play](#) (February 2016)
- PolDep Briefing on [Mid-term review/revision of MFF 2014-2020: Duration of the next MFF](#)

Other sources

Link to Oeil to access all procedural documents:

[Multiannual financial framework for the years 2014-2020: special instruments](#), European Parliament, Legislative Observatory (OEIL).

Endnotes

¹ The 2014-2020 MFF was negotiated and agreed during the previous terms of office of the Parliament and Commission.

² Articles 6 and 7 of Council Regulation No 1311/2013.

³ For an overview of the EDF, its budgetary specificities and the long-standing debate on its possible inclusion in the EU budget: A. D'Alfonso, [European Development Fund. Joint development cooperation and the EU budget: out or in?](#), EPRS, European Parliament, 2014.

⁴ If this instrument is eventually agreed, the interinstitutional agreement of 2 December 2013 between the EP, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management will need to be modified in parallel to include provisions on the mobilisation of the new reserve (procedure file [2016/2232\(ACI\)](#)).

⁵ Different procedures apply depending on the proposal.

⁶ Of which only €3.8 billion are fresh appropriations, excluding reinforcements already agreed or in the pipeline.

⁷ Following the technical adjustment provided for in the MFF Regulation, the overall ceiling for 2014-2020 commitments now amounts to €963.5 billion.

⁸ J. Núñez Ferrer, [The Multiannual Financial Framework post-2020: Balancing political ambition and realism](#), CEPS Policy Paper No 2016/2, 18 November 2016.

⁹ A. Grandi, [L'Italia pone il veto sul bilancio Ue. Renzi: 'Niente muri coi nostri soldi'](#) in: *Corriere della Sera*, 15 November 2016.

Disclaimer and Copyright

The content of this document is the sole responsibility of the author and any opinions expressed therein do not necessarily represent the official position of the European Parliament. It is addressed to the Members and staff of the EP for their parliamentary work. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.

© European Union, 2016.

eprs@ep.europa.eu

<http://www.eprs.ep.parl.union.eu> (intranet)

<http://www.europarl.europa.eu/thinktank> (internet)

<http://epthinktank.eu> (blog)



First edition. The 'EU Legislation in Progress' briefings are updated at key stages throughout the legislative procedure.